



STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY,
TRADE AND ECONOMIC DEVELOPMENT



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To: Steve Lerch, Senior Assistant Director, Dept. of Revenue
From: Tony Usibelli, Assistant Director CTED,
David Danner, Executive Director, UTC
Jake Fey, Director, WSU Energy Program

Subject: Renewable Tax Credit Implementation (SB 5101)

This memorandum addresses the final implementation of the Department of Revenue (DOR) Rule 273 (Alternative Renewable Energy System Cost Recovery) and focuses on interconnection requirements for electrical generating facilities that are less than 25 kilowatts. The development of Rule 273 was driven by Senate bill 5101 (SB 5101), which was passed during the 2005 legislative session and directed the DOR to provide incentives for small scale solar or wind power electricity generating systems. In SB 5101 the Energy Policy Office of the department of Community Trade and Economic Development (CTED), The Washington Utilities and Transportation Commission (WUTC), and the Washington State University Energy Extension (WSUEC) were given the responsibility of determining when two triggering criteria contained within the language of SB 5101 had been met. The bill, and the two triggering criteria, is briefly summarized below.

Senate Bill 5101: Providing incentives to support renewable energy.

The bill provides incentives for small scale solar or wind power electricity generating systems. The incentive is an allowance against the public utility tax (PUT) which is levied on utility gross receipts. Homeowners or businesses that install small scale solar or wind power electricity generating systems may request that their utility pay the incentive, based on formulae contained in the legislation, and directly related to the amount of electricity that the renewable energy

system produces annually. The following is an excerpt from SB 5101 and lists the triggering criteria that must be met before the legislation may take effect.

1. When light and power businesses serving eighty percent of the total customer load in the state adopt uniform standards for interconnection to the electric distribution system, any individual, business, or local governmental entity, not in the light and power business or in the gas distribution business, may apply to the light and power business serving the site of the system, each fiscal year, for an investment cost recovery incentive for each kilowatt-hour from a customer-generated electricity renewable energy system installed on its property that is not interconnected to the electric distribution system and from a customer-generated electricity renewable energy system installed on its property that is interconnected to the electric distribution system.
2. Uniform standards for interconnection to the electric distribution system means those standards established by light and power businesses that have ninety percent of total requirements the same. No incentive may be paid for kilowatt-hours generated before July 1, 2005, or after June 30, 2014.

According to our calculations the 80 percent criterion in number 1 has been met. The criteria was calculated as the sum of the total load served (expressed in megawatt hours) served by the utilities adopting interconnection standards (criteria number 2 above) divided by the total load served by all utilities and light and power businesses within Washington State, and this ratio exceeds eighty percent. The accompanying table indicates that light and power businesses serving approximately 84 percent of the total customer load have adopted similar interconnection standards.

The 90 percent the same criterion, listed in number 2 above, is taken to mean the interconnection standards currently used for facilities that have a generating capacity of 25 kilowatts or less. In analyzing whether this criteria was met we divided Washington utilities into the three groups shown below:

1. Investor Owned Utilities: The Washington Utilities and Transportation Commission (WUTC) established interconnection standards for facilities less than 25 kilowatts to cover the three investor owned utilities.
2. Public Utilities: The Public Power Interconnection Standards Committee of the Washington Public Utility District Association (WPUDA) adopted interconnection standards for facilities less than 25 kilowatts, very similar to those established by the WUTC in rule. These standards have been adopted by most members of the WPUDA.
3. Municipal Utilities: The interconnection standards adopted by the state's two largest municipal utilities, Seattle City Light and Tacoma Power, are also very similar to the standards established by the WUTC.

The three reviewing organizations listed in the first paragraph, CTED, WUTC, and WSUEE, have reviewed the interconnection standards adopted by the three groups above and have determined that the 90 percent criterion has been met.

We believe both the first criterion (80 percent of load requirement) and the second criterion (90 percent the same requirement) have been met and SB 5101 (DOR Rule 273) can be fully implemented for any systems less than 25 kilowatts.

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